MOTIVATION AND SATISFACTION AS FUNCTIONS OF PERCEPTIONS OF REWARD: A CASE STUDY OF EMPLOYEES OF KENYA REVENUE AUTHORITY

Veronica W. Kimiru

A Research Project Report Submitted in Partial Fulfilment of the Requirements for the award of the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi

October 2012

Declaration

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than University of Nairobi for academic credit;

Signed: …………………………   Date: ………………………………

Veronica W. Kimiru

D61/60057/2010

This project report has been presented for examination with my approval as the University supervisor;

Signed:…………………………   Date:………………………………

Prof. Peter K'Obonyo

Department of Business Administration

University of Nairobi

Acknowledgement

My foremost gratitude goes to our almighty God for enabling and guiding me through my academic life. I am grateful to University of Nairobi for admitting me to their MBA programme. My vote of thanks goes to my supervisor; Prof. Peter K'obonyo who guided me as I crafted this paper, his suggestions and prompt comments gave me impetus to refine and produce quality work. Above all, I owe a lot to my classmates: they deserve special recognition. I also thank my family members and friends for their immense moral and spiritual support, in particular my children, Kaboo and Wamiti who encouraged me tirelessly throughout the program.

Dedication

I dedicate this paper to staff of KRA; you all stood by me throughout this programme and inspired me immensely.

Table of Contents

Abstract

Kenya Revenue Authority (KRA), like any other public organization, despite establishing reward systems to improve its employees, its employees have been criticised of being lazy, corrupt and that they lack professionalism in their work (Abuga, 2007). The Authority is thus under constant pressure to revise its benefit offering to staff, which includes a reward and recognition programme that staff buy-in too, is satisfied with and which is linked with the organisation's strategy. Therefore, the aim of this study was to investigate the role played by perceptions of reward on motivation and job satisfaction of employees at the Kenya Revenue Authority.

This study was a descriptive survey research design. The population of interest is all 2800 employees at KRA. A sample size of 280 employees was selected using multistage sampling technique for the purpose of this study. Primary data was collected using questionnaire. The questions were both open-ended and close-ended. The questionnaires were administered through drop and pick method. Descriptive statistics in the form of mean, frequency and percentage was used to describe the data. The mean score for each department was calculated and the standard deviation used to interpret the respondents deviation from the mean. Pearson Product-Moment Correlation statistic was used to determine the relationship between the independent and dependent variables. The results were presented on frequency distribution tables and bar charts.

The results revealed that there is a significant relationship between all eight of the sub-dimensions of work motivation and satisfaction, that include work content, payment, promotion, recognition, working conditions, benefits, personal, leadership (level of satisfaction with the organisation). The results indicate that there is a significant statistical relationship between all of the eight dimensions of the motivation and job satisfaction and reward. It is evident from the study that reward systems influence employee motivation and satisfaction. It was also significant to discover that there is a direct and positive relationship between reward systems and job satisfaction and motivation, and employee performance. Therefore, KRA could benefit by focusing on the factors that positively impact employee motivation and job satisfaction. There is need therefore for KRA to reward and recognition its employees in order to motivate them and enhance the job satisfaction.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic human resource management has gained popularity over the past decade, specifically with respect to the debate on human resources management and performance. According to Beer, *et al.,* (1984), there is a general agreement that human capital can be a source of competitive advantage, human resources management practices have the most direct influence on the human capital of a firm, and the complex nature of human resource management practices can enhance the inimitability of the firms' operational systems. For any organization to be a strategic leader, the human resources in that organization must be highly efficient and effective. Management can buy their workers time, their physical presence at a given place, and their measured skilled muscular motions in a day but they cannot buy their workers enthusiasm, initiatives, innovation, loyalty and devotion to work.

In order for an organisation to meet its obligations to its stakeholders its top management must develop a relationship between the organisation and employees that will fulfil the continually changing needs of both parties. At a minimum the organisation expects employees to perform reliably the tasks assigned to them and at the standards set for them, and to follow the rules that have been established to govern the workplace. Management often expects more: that employees take initiative, supervise themselves, continue to learn new skills, and be responsive to business needs. At a minimum, employees expect their organisation to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility. Just how ambitious the expectations of each party are, vary from organisation to organisation (Flynn, 1998).

For organisations to address these expectations an understanding of employee rewards is required and how such reward influences their motivation and job satisfaction (Beer, *et al*, 1984). They assert that organizational reward system influence both job satisfaction and employee motivation. The reward system affects job satisfaction by making the employee more or less comfortable as a result of the rewards received. The reward system influences motivation

primarily through the perceived value of the rewards and their contingency on performance (Kreitner and Kinicki, 1992).

1.1.1 Concept of Perception

According to Robbins et al. (2004) perception can be defined as 'a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment'. Perception is not necessarily based on reality, but is merely a perspective from a particular individual's view of a situation. In dealing with the concept of organisational behaviour, perception becomes important because 'people's behaviour is based on their perception of what reality is, not on reality itself; the world as it is perceived is the world that is behaviourally important' (Robbins et al 2004). For example, based on the situation, perceiver and target we may have the perception that the people we are working with are no good at their job, and therefore we may tend to avoid working with them, in fear of being held responsible for their mistakes, and in doing so, affecting our working relationship with our team members, and ultimately, the effectiveness and efficiency of the organisation.

1.1.2 Employee Reward System

The term 'reward' is discussed frequently in the literature as something that is given by an organization to an employee in response to the employee's actions, and is something which is desirable to the employee (Agarwal, 1998). Human resources are now seen as the primary source of an organization's competitive advantage. Therefore, the way people are treated increasingly determines whether an organisation will prosper or even survive (Lawler, 2003). The reward people receive for their contribution to an organisation includes monetary and non-monetary components. Remuneration does not simply compensate employees for their efforts - it also has an impact on the recruitment and retention of talented people.

The primary focus of reward programmes is how organisations define their reward schemes and communicate this in a manner that employees clearly understand the link between reward and performance (Flynn, 1998). Deeprose (1994) asserts that "Good managers recognise people by doing things that acknowledge their accomplishments and they reward people by giving them

something tangible. They create environments where jobs provide intrinsic rewards – good feelings people get from doing the work itself. Yet in too many organisations, recognition is reserved for an elite few and rewards are defined solely in terms of wages and salaries."

Effective reward system enhances employee motivation and satisfaction, and increases employee productivity all of which contribute to improved organisational performance (Deeprose, 1994). Baron (1983) argues that there is a close relationship between motivation and job performance. He notes that if successful performance does in fact lead to organisational rewards, such performance could be a motivational factor for employees. Under such conditions, they can see that their efforts result in rewards. Consequently, they may be motivated to exert higher levels of effort on the job. In summary, there is a reciprocal relationship between the two constructs, not only can motivation influence performance, but also that performance – if followed by rewards – can influence motivation (Baron, 1983). There appears to be a close relationship between employees' overall satisfaction with their jobs and their organisation and their intention to stay or leave. Organisations could benefit from implementing a total rewards programme that focuses on both formal and informal rewards systems.

1.1.3   Employee Motivation and Satisfaction

Employee motivation is the process of boosting the morale of employees to encourage them to willingly give their best in accomplishing assigned tasks (Scheffler, H., 1971). Employee motivation is key to achieving extraordinary results. Motivation is that desire or feeling within an individual that prompts him to action. Understanding human motivation is a complex matter. A person's motive maybe clear to himself but puzzling to others. Motivation can also be considered as a decision making process through which a desired outcome is sought thereby setting in motion the appropriate behaviour to achieve it. Satisfaction at work is an important motivating factor. The physical working environment in which a person works also has tremendous motivational force. Work environment as a motivating factor, first and foremost, refers to the status of the organisation for which a person works and the mere factor of his working in that organisation gives him that status. The manager's concern therefore is to find a set of common factors that can motivate all employees working under him.

Moreover, job satisfaction is considered a strong predictor of overall individual well-being, as well as a good predictor of intentions or decisions of employees to leave a job (Diaz-Serrano and Cabral, 2005). According to Anthony et al (2007), job satisfaction is experienced when an employee's skills are effectively utilized, when training opportunities to enhance those skills are provided, and when the work environment is conducive to enable employees to perform to the best of their abilities. Similarly, Reio and Kidd (2006) have defined job satisfaction as "the feelings a worker has about his or her job or job experiences in relation to previous experience, current expectations, or available alternatives". This is related to the position adopted by Locke who states job satisfaction as being "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience" (Locke, 1983). Job satisfaction is also defined as the end feeling of a person after performing a task, to the extent that a person's job fulfils his expectations and values. The feeling would be positive or negative depending on whether need is satisfied or not (Gupta, 2004).

1.1.4 Link between Employee Motivation, Satisfaction and Reward

For organisations to address these expectations an understanding of employee rewards is required and how such reward influences their motivation and job satisfaction (Beer, *et al*, 1984). They assert that organizational reward system influence both job satisfaction and employee motivation. The reward system affects job satisfaction by making the employee more or less comfortable as a result of the rewards received. The reward system influences motivation primarily through the perceived value of the rewards and their contingency on performance (Kreitner and Kinicki, 1992).

Effective reward system enhances employee motivation and satisfaction, and increases employee productivity all of which contribute to improved organisational performance (Deeprose, 1994). Baron (1983) argues that there is a close relationship between motivation and job performance. He notes that if successful performance does in fact lead to organisational rewards, such performance could be a motivational factor for employees. Under such conditions, they can see that their efforts result in rewards. Consequently, they may be motivated to exert higher levels of effort on the job. In summary, there is a reciprocal relationship between the two constructs, not

only can motivation influence performance, but also that performance – if followed by rewards – can influence motivation (Baron, 1983). There appears to be a close relationship between employees' overall satisfaction with their jobs and their organisation and their intention to stay or leave. Organisations could benefit from implementing a total rewards programme that focuses on both formal and informal rewards systems.

According to Croce (2004), managers should seek reasons and moments to recognise employees for increased effort, persistent positive attitude and peak performance, and recognise them for this. Barton (2002) continues by saying that reward involves giving something of value to recognise positive work results. Reward therefore is integral to recognising employees' contributions, but should not be the sole focus of recognition. The author refers to Herzberg's theories of satisfiers versus dissatisfiers in the workplace, which clearly establishes recognition as a satisfier or motivational factor. According to Herzberg's theory, the extrinsic factors such as salary, supervision, working conditions and other work factors that are perceived by the employee to be offered by the company, will at best prevent employees from being dissatisfied. These factors focus largely on working conditions and working environments, which is to a large extent guided by legislation. Herzberg identified recognition as that which is received by an individual with the accomplishment of a task or job, and this could entail noticing and praising an individual.

Nel *et al* (2001) concur with this theory and argue that motivated and satisfied individuals are aware of a specific goal that must be attained and would direct their effort at attaining that goal. Traditionally, individual performance in organisations has centred on the evaluation of performance and the allocation of rewards. Organisations are starting to acknowledge that planning and enabling individual performance have a critical effect on organisational performance. Strategic success for the organisation lies in focussing attention at all levels on key business imperatives, which can be achieved through effective performance management (Nel et al., 2001). According to Wilson (1994), the performance management process is one of the primary elements of the total reward system. It is the process that impacts performance pay checks and provides the basis on which individual results are measured. It is the bonding agent in programmes that direct rewards to true performance.

1.1.5   Kenya Revenue Authority

Kenya Revenue Authority (KRA) is a public corporation established by an Act of Parliament, Cap. 469 of 1995 for the purpose of enhancing the mobilization of Government revenue, while providing effective tax administration and sustainability in revenue collection. The Authority mission states that "to promote compliance with Kenya's tax, trade, and border legislation and regulation by promoting the standards set out in the Taxpayers Charter and responsible enforcement by highly motivated and professional staff thereby maximizing revenue collection at the least possible cost for the socio-economic well being of Kenyans" (KRA, 2006). This mission can only be achieved through people who are the backbone of the authority; they are the tools of trade since it's a service industry. KRA therefore aims at not only recruiting qualified and dedicated staff but also treating them fairly. This aim reflects its core values, which are integrity, professionalism, equity, and corporate social responsibility.

Since inception, KRA has continued to enlarge in size as well as in the scope of its operations. Due to enlarged scope of operation KRA has been restructured and has four revenue departments and which are supported by two other non revenue departments. Today, KRA has about a total staff complement of 4,571 officers, as at May 23, 2012. However, the approved staff establishment by the same time was 6,053, hence staff shortfall of 1,482. As part of its human resources management and desire to improve performance, KRA has designed its employees reward systems. The reward systems existing at KRA are performance based pay (which are Group-based and individual-based pay scheme) promotions, bonus to employees when they exceed their targets, recognition by issuing of performance certificate to well performing individuals and fridge benefits. Its employees are paid higher than other public servants. In addition, it has very attractive benefits and incentives compared to other public organisations similar to those in private sector. Also, promotions are pegged on employee performance (KRA, 2012).

Employees are subjected to a rigorous performance appraisal process and balanced scorecard which is cascaded to several levels of staff in the organization and performance contracting for all management staff. Time release report, noted that throughout the past years, the results of the evaluations are perceived as inflated whereby most of the ratings were on the "Excellent" or

"Very Good" level. So far as promotions are based on these results then the remuneration system is also biased (KRA, 2004). That not withstanding, KRA attracts the right people with right skills and knowledge, and its human resources consists of both old and young. Its current human resource policy of recruiting young university graduates in line with the succession policy. However, these young recruits are leaving after extensive training by the Authority. Now and then, cases of dishonesty therein are reported and the general public accuses the officers of being slow and rude.

1.2 Research Problem

Reward management is the process of developing and implementing strategies, policies and systems which help the organisation to achieve its objectives by obtaining and keeping the people it needs, and by increasing their motivation and commitment. Reward should be seen as a set of relationships between the various compensation programmes and the employee performance. Thus organisations must reward employees because, in return, they are looking for certain kinds of behaviour: they need competent individuals who agree to work with a high level of performance and loyalty. Individual employees, in exchange for their commitment, expect certain extrinsic rewards in the form of promotions, salary, fringe benefits, bonuses, or stock options. Individuals also seek intrinsic rewards such as feelings of competence, achievement, responsibility, significance, influence, personal growth, and meaningful contribution. Employees will judge the adequacy of their exchange with the organisation by assessing both sets of rewards" (Deeprose, 1994).

Like any other public organization, the KRA employees have been criticised of being lazy, corrupt and that they lack professionalism in their work (Abuga, 2007). This can either be due to work traditions, lack of motivation or that employees are not satisfied with their job (KRA, 2007). The Authority has witnessed higher employee turnovers while corruption cases continue to be reported (KRA, 2007). All these challenges continue to affect the employee perfoamcne despite the existing lucrative reward and recognition programmes (KRA 5th Corporate plan, 2012). This implies the link between reward and KRA employees' performance is largely undetermined. This is research gap this study aim to address. Therefore, there is need to investigate to what extent the reward and recognition systems at KRA contributes to higher

employees' turnovers, low motivation among employees, job satisfaction, purported laziness and corruption among employees.

There is abundant evidence to support the view that when reward leads to high employee performance. The overall goal of a performance-based compensation programme is to develop a productive, efficient, effective organization that enhances employee motivation and performance (Flanner, *et al,* 1996). Jeffries (1997) argued that reward motivates employees, as it involves the acknowledgement of the efforts, creativity and willingness of employees to put in extra effort. The study also further revealed that employees who are well rewarded demonstrate their best efforts in their work. Intrinsic rewards, such as responsibility, growth, feedback or recognition and opportunities motivate employees to these high levels of performance, more so than simply earning a good salary (Nel et al., 2001). Romano (2003) maintains that reward and job satisfaction make people feel and look good and therefore motivated to achieve more. Lawler (2003) posits that organizational rewards lead to successful performance, and concluded that not only can motivation influence performance, but also that performance if followed by rewards. No study has been done on the link between reward and employee performance at KRA. This is the main concern of this paper that will be addressed. Thus this study will address the following question: The employees' perceptions of the link between employee motivation, satisfaction and reward at KRA.

1.3 Research Objective

To establish the relationship between perceptions of rewards and i) motivation and ii) job satisfaction of employees at the Kenya Revenue Authority.

1.4 Value of the Study

An organization can use reward system as a strategic measure to show employees that their contribution to the organization is recognized, and in so doing, influence their motivation and job performance. Based on the findings of the research, Kenya Revenue Authority could improve and encourage the use of effective reward system in the feedback process of the performance

management system. Influence the Authority to consider a more structured approach to reward system and recognition that would enable the high performance culture it strives to attain.

The findings of the study can provide useful information to the Government and other Company's Human Resource Division, as they can identify alternative motivational approaches for the company's staff to foster more reliable teamwork, increase employee morale and individual performance output thereby working positively towards achieving the organisational objectives. The study adds to existing literature on reward and performance, and therefore it is of importance of researchers and academicians who can indentify research gaps and further work already undertaken.

CHAPTER TWO: LITERATURE REVIEW

2.1 Theoretical Foundation on Reward

2.1.1 A Model of Reward Strategy Development

Armstrong and Murlis (2004) reward guiding principles may be concerned with such specific matters as; developing reward policies and practices that support the achievement of Business goals; providing rewards that attract, retain and motivate staff and help to develop a high performance culture; maintaining competitive rates of pay; rewarding people according to their contribution; recognizing the value of all staff that are making an effective contribution, not just the exceptional performers; allowing a reasonable degree of flexibility in the operation of reward processes and in the choice of benefits by employees; and devolving more responsibility of reward decision to line managers.

Armstrong and Murlis (2004) show a logical – step by step model for formation of reward strategy. This incorporates ample provision for consultation, involvement and communication with stakeholders, these include Senior Managers as the ultimate decision makers as well as employees generally and line managers in particular and communication with stakeholders, and these include senior managers as the ultimate decision makers as well as employees generally and line managers in particular.

Bennet (1997) states that content theories of motivation seek to determine the individual's choice of goals and hence why certain things are more important to some people than others. It could be argued that the most influential of all proponents of this approach has been Abraham H. Maslow.

2.1.2 Maslow's hierarchy of Needs theory

Maslow's theory suggested that individuals are motivated by five levels of need. His theory is significant because it encompasses all human needs and clusters them into five all-inclusive categories self actualisation, esteem, social, safety and physiological. The five categories are arranged in the order in which an individual will seek to satisfy them. As each level of need is satisfied the individual moves on to the next finally achieving self-actualisation.

His theory is significant because it encompasses all human needs and clusters them into five all-inclusive categories as shown in the diagram below: -

(Abraham Maslow, Motivation and Personality, 1954)

The five categories are arranged in the order in which an individual will seek to satisfy them. As each level of need is satisfied the individual moves on to the next finally achieving self-actualisation.

Maslow's theory has been criticised for its rigidity in claiming that individuals can seek to attain higher level needs only after lower needs have been satisfied. According to Bennet (1997), many people are acutely aware of higher needs even though their fundamental physiological needs have not been fully met. In a consumer society, the poor may yearn for status symbols even though they are unable to satisfy their immediate requirements.

According to Spangenberg (1994) states that research renders little empirical support for this theory (Luthans, 1992). Luthans contended, however that neither the number and names of the levels nor the hierarchical concept is important. What is important is that people in the work place have *different* motives, some of which are high level. And needs such as esteem and self-actualisation are important components of work motivation.

2.1.3 Alderfer's ERG Theory

Alderfer modified Maslow's theory into three groups of basic needs – existence, relatedness and growth. Existence needs correspond to the physiological and security needs of the Maslow system. Relatedness needs include the needs for affection and for personal relationships as a whole. Growth needs involve self actualisation and the desire to take decisions and exert effort and control.

The three levels are said to occur as a hierarchy and that individuals are assumed to wish to satisfy them sequentially. However, the ERG theory suggests a frustration-regression relationship whereby if a person cannot achieve the next highest level, then the one below it will assume far greater importance in that individual's mind. This theory was criticised for the presupposition that satisfaction of existence needs activates desire for relatedness needs.

2.1.4 Expectancy Theory

According to Cole (2004), the core of the expectancy theory relates to how a person perceives the relationship between three things – effort, performance and rewards. Vroom focussed especially on factors involved in stimulating an individual to put effort into something, since this was the basis of motivation.

The basic model developed by Vroom, indicating the components of effort that can lead to relevant performance and appropriate rewards can be summarised in the figure 2.1 below:-

Figure 2.1: Expectancy Theory
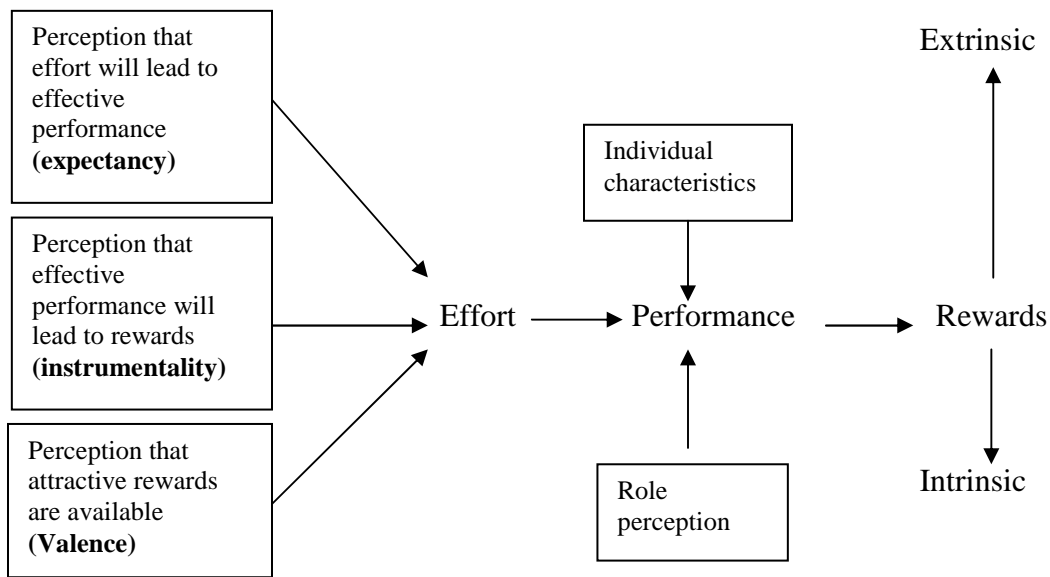
Source: Cole (2004)

It is important to note that Vroom distinguishes 'valence' from 'value'. He does so by defining the former in terms of the *anticipated* satisfaction the individual hopes to obtain from the outcome of the reward, and by defining 'value' in terms of the actual satisfaction obtained by the individual. According to Vroom, the three factors – expectancy, instrumentality and valence – combine together to create a driving force (**force**), which motivates an individual to put in effort, achieve a level of performance, and obtain rewards at the end. Vroom suggested that Force was a multiple of Expectancy and Valence (encompassing Instrumentality) in the formula:

Force = Expectancy x Valence (or F = E x V)

2.1.5 Equity Theory of Work Motivation

Luthans (1989) suggests that the equity has been around just as long as the expectancy theories of work motivation. However, only recently has equity as a process of motivation received widespread attention in the organisational behaviour field. As a theory of work motivation credit for equity theory is usually given to J. Stacey Adams. Simply put, the theory argues that a major input into job performance and satisfaction is the degree of equity (or inequity) that people

13

perceive in their work situation. In other words, it is another cognitively based motivation theory and Adams depicts a specific process of how this motivation occurs.

Cole (2004) and the Equity Theory suggests that people are not only interested in rewards as such, which is the central point of expectancy theory, but they are also interested in the *comparative* nature of rewards. Thus, part of the attractiveness (valence) of rewards in a work context is the extent to which they are seen to be comparable to those available to the peer-group Such thinking, however, is best applied to extrinsic rewards, such as pay, promotion, pension arrangements, company car and similar benefits, since they (a) depend on others for their provision, and (b) have an objective truth about them. Cole (ibid) continues to aver that the equity theory cannot apply in the same way to intrinsic rewards, such as intrinsic job interest, personal achievement and exercise of responsibility, which by their very own nature are personal to the individual, entirely subjective, and therefore less capable of comparison in any credible sense.

2.2 Types of Rewards

The term 'reward' is discussed frequently in the literature as something that is given by an organization to an employee in response to the employee's actions, and is something which is desirable to the employee (Agarwal, 1998). According to Agarwal (1998) there are two main approaches to remuneration and reward, performance based and skill based systems. Within each of these approaches is a further choice between team and individually based approaches to measuring and distributing remuneration and rewards.

McCormick and Tifflin (1979) Performance based pay theory links remuneration to individual achievement (or non achievement) of predetermined outcomes and/or the performance of the company. It takes several forms, including performance based changes to base remuneration and the provision of bonuses and other one-off type rewards. Motivated employees generally produce better quality work and require less supervision and coaching than unmotivated employees. Accordingly, the concept of performance pay focuses on the cost of getting things done through people who are motivated to do well. This is attractive to employers as it reduces input costs

relative to the value of the outputs of the organisation and thus enhances profitability. Skills based pay links remuneration employees to the nature, number and levels of different skills and knowledge employees possess and/or use (McCormick and Tifflin, 1979).

Performance based pay is generally something that is applied on individuals but it is more and more used for rewarding small groups (Murlis, 1991). Something that is very positive about individual performance-based rewards is that the organization can easily communicate what results are of highest priority and at the same time motivate the employees to improve these specific results (Murlis, 1991). The main disadvantage of individual performance-related pay is that there is no clear connection between performance and reward and this can lead to employees feeling that the value of the reward is not worth putting down effort for.

Armstrong and Murlis, 1991 gave three types of performance based pay. 1) Group based Rewards: The traditional compensation systems structure was built on the old industries with high focus on being internally legitimate. Today many companies reward jobs accomplished instead of rewarding people. In many cases this leads to rewarding a group of people instead of one individual. People's actions often depend on how they are compensated, therefore this type of reward will encourage people to work in groups instead of trying to achieve goals as individuals which the individualized reward system encourages (Deeprose, 1994); 2) Another way of rewarding employees is to have an individual pay system. With this type of system the individuals will get higher salaries if they perform well. The salaries are very individualistic and two people doing the same job may have different salaries depending on how well they perform (Deeprose, 1994). The individual salary usually contains yearly salary increase; this increase is seen as an important part of the salary and also as a reward system mainly because it is not a onetime reward but one that is paid monthly; 3) Individual Incentive Pay: In an individual incentive pay an employee's salary is directly connected their performance results. This type of reward system is often based on a system that divides the payment in two parts. One part is a fixed often low salary and the other part depends on results. Salespersons often have this type of system that consists of a low fixed base salary and they receive commissions depending on their sales. Individual incentive pay systems are more effective when the employers work with simple tasks and have control over the rate of work, and are therefore not suitable for process industries and assembly line production (Deeprose, 1994).

According to McCormick and Tifflin (1979), rewards can be either intrinsic or extrinsic. Intrinsic rewards stem from rewards that are inherent in the job itself and which the individual enjoys as a result of successfully completing the task or attaining his goals. While extrinsic rewards are those that are external to the task of the job, such as pay, work condition, fringe benefits, security, promotion, contract of service, the work environment and conditions of work. Such tangible rewards are often determined at the organizational level, and may be largely outside the control of individual managers. Intrinsic reward on the other hand are those rewards that can be termed 'psychological rewards' and examples are opportunity to use one's ability, a sense of challenge and achievement, receiving appreciation, positive recognition, and being treated in a caring and considerate manner.

Armstrong and Murlis (1991) suggest four main areas that should be addressed in a reward management system. These are Pay structures, which by combining the results of market surveys and job evaluation, define the levels of pay in the organization; Employee benefits that satisfy the needs of employees for personal security and provide remuneration in forms other than pay; Non-financial rewards which satisfy employees' needs for variety, challenge, responsibility, influence in decision-making, recognition and career opportunities; and Performance management that provides the basis for continuing as well as formal reviews of performance against targets and standards.

Organisations are more upfront about what they demand and therefore they should also be explicit about how they can reward employees who go the extra mile (Baron, 1983). There are two schools of thought how this could be accomplished in the workplace, one way could be to say thank you in a formal way through a badge, certificate or a written note, whilst another could be to bestow a concrete reward to create an impact (Syedain, 1995). According to Lawler (2003), there are at least two factors that determine the attractiveness of a reward; one is how much of the reward is being offered and the second is how much the individual values the type of reward that is being offered. He argues that the more the individual values the type of reward and the more of it is being offered, the greater the motivational potential.

Beer et al. (1984, p. 117) succinctly argue that: Organisations must reward employees because, in return, they are looking for certain kinds of behaviour: they need competent individuals who

agree to work with a high level of performance and loyalty. Individual employees, in exchange for their commitment, expect certain extrinsic rewards in the form of promotions, salary, fringe benefits, bonuses, or stock options. Individuals also seek intrinsic rewards such as feelings of competence, achievement, responsibility, significance, influence, personal growth, and meaningful contribution. Employees will judge the adequacy of their exchange with the organisation by assessing both sets of rewards.

2.3 Perceived Link between Rewards and Employee Motivation and Satisfaction

In relation to opportunities for promotion Herzberg 1966 found that individual needs for advancement responsibility interesting and challenging work, security vacation and money were all related to pay system preference. Lawler (1981) argues that the more entrepreneurial, achievement oriented individuals will be more attracted to organization where rewards are based on competency and performance. Individuals exposed to performance pay scheme will perceive better opportunities of promotion cause competency and performance are recognized by the organization.

Salanicer and Pffeffer (1977) from an organizational perceptive, supervision is a key element in all performance and behavior management systems. Supervisors are essential components of compensation and reward system and effective supervisory behavior is necessary component in such, systems to ensure employee performance and satisfaction (Cross, 1973). Winstanly (1982) argues that for a pay for performance concept to succeed important prerequisite is the element of trust and belief in management. The presence of belief and trust in management implies the existence of valid job evaluation, pre-agreed tasks and standards, accurate performance appraisals, objective trained managers and supervisor, good communication systems and fallen up research.

Cherrington et al (1971) drawing from constitutions of reinforcement theorists, propose that there is no inherent relationship between job satisfaction and productivity and that relationships between the two variables are highly depend upon performance-reward contingencies.

Cole (2004) defines motivation as the process, both instinctive and rational by which people seek to satisfy basic drives, perceived needs and personal goals, which trigger human behaviour. Motivation is that desire or feeling within an individual that prompts him to action. Understanding human motivation is a complex matter. A person's motive maybe clear to himself but puzzling to others. Motivation can also be considered as a decision making process through which a desired outcome is sought thereby setting in motion the appropriate behaviour to achieve it.

Basic model of motivation

Physical Need/Drive   Behaviour   Satisfaction/Frustration

      ↓   ↑   ↑

      Stimulus------------------------------Response---------------------------Outcome

      ↑   ↓   ↓
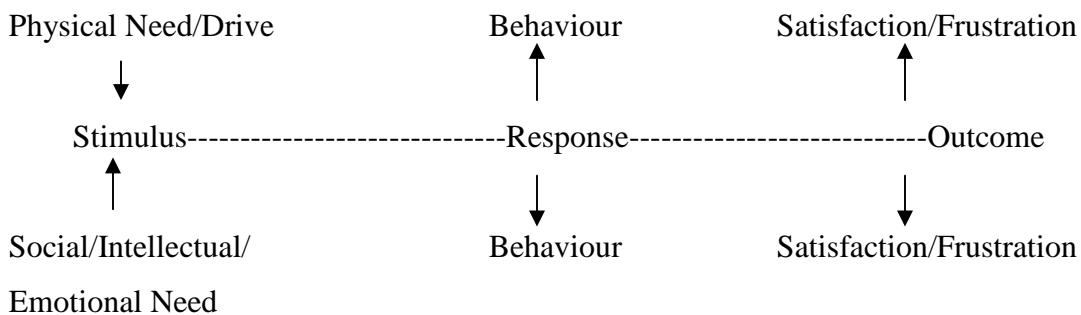
Social/Intellectual/   Behaviour   Satisfaction/Frustration
Emotional Need
Source: Cole (2004)

Cole (2004) states that the managers/organisations role is to influence each individual's behaviour and action towards achievement of common organisational goals. Different individuals are motivated by different factors. This is because each individual in the organisation comes from a different socio-economic, cultural, religious, educational and family background, and each of these has a role in determining the degree to which we can be motivated by different factors.

Factors Influencing Motivation
The following factors that influence motivation: -
Past experience: A person will consider all his/her past experiences with a certain course of action, satisfaction derived, frustrations, effort required and probability of attaining the goal (Spangenberg, 1994).

Environmental factors: The individual's behaviour choices are affected by the environment which comprises values of the organisation; expectations and actions of the manager; support of colleagues and company policies/regulations (Spangenberg, 1994).

Perceptions: The amount of effort required achieving the desired performance, the absolute value of the reward and the value of the reward relative to what has previously been awarded other persons for the same effort will all influence an individual's perception to motivation (Spangenberg, 1994).

Incentives by managers: The extent to which the manager is supportive or not supportive, an enabling environment and a manager's leadership/management style will also influence the level of motivation in an individual (Spangenberg, 1994).

Skills needed: A person's capabilities to handle an assigned job bear heavily on how motivated he/she will be to achieve the objectives of that job (Spangenberg, 1994).

According to Spangenberg (1994), for rewards to motivate people adequately, they must be administered in the following ways: They must satisfy individual (operative) needs: There is no motivational impact unless the reward satisfies an operative need. Needs once satisfied are no longer motivators/satisfiers. It is therefore necessary to clearly understand what people need from their work activities and how and when to provide for their needs. People's needs concerning when and how they want to be paid will also vary. This is however not plausible for it is difficult to cater for each individual's needs in an organisation. The reward programme must attempt to fit rewards to people and not vice versa as is the norm (Spangenberg, 1994).

One must believe that effort will lead to rewards: Unless a reward is perceived to be attainable, an individual will not try to attain it. People will also exert effort when they believe that the effort will lead to performance which will in turn result in the desired rewards (Spangenberg, 1994). Spangenberg (1994) rewards must be linked to performance: Performance should be linked to rewards and employees must clearly see the link between performance and rewards. They must see performance as instrumental in getting the rewards if they are to exert the necessary pressure. There should therefore be an if-then relationship between works and rewards. Managers can strengthen the motivation to work by making sure that those who give a little extra to get a little extra. By pegging pay and other rewards on performance, managers reinforce high

performers for achievement and remind low performers of deficiencies. High performers could then target their efforts on ways of improving or maintaining performance while low performers could be supported in their efforts to achieve performance targets or be singled out for replacement (Spangenberg, 1994).

Rewards must be equitable: Rewards perceived as equitably given can foster job satisfaction and performance while perceived as inequitable can inhibit key work results. Something is perceived as equitable if it is seen to be fair and just. Equity is achieved when an individual feels that they have received what they deserved. Managers must therefore understand that feelings of equity/inequity will be determined solely by the individual's perceptions and interpretations and not what he feels about the allocation of rewards (Spangenberg, 1994).

Organisations that have implemented informal recognition programmes have witnessed many valuable benefits with respect to both the hard and the soft side of the business, and one of the most tangible benefits mentioned by organisations related to employee morale. Given the current workplace issues such as mergers and acquisitions, downsizing, and retrenchments, the resultant effect is that many employees feel distraught and even pessimistic about their futures and careers. It has been found that using rewards and recognition mechanisms can reduce this pessimism, which hinders performance and productivity. By acknowledging employee's efforts more personally, more locally and more frequently, informal recognition can lift employee motivation and improve overall organisational morale (Curran, 2004).

According to Croce (2004), managers should seek reasons and moments to recognise employees for increased effort, persistent positive attitude and peak performance, and recognise them for this. Barton (2002) continues by saying that reward involves giving something of value to recognise positive work results. Reward therefore is integral to recognising employees' contributions, but should not be the sole focus of recognition. The author refers to Herzberg's theories of satisfiers versus dissatisfiers in the workplace, which clearly establishes recognition as a satisfier or motivational factor. According to Herzberg's theory, the extrinsic factors such as salary, supervision, working conditions and other work factors that are perceived by the employee to be offered by the company, will at best prevent employees from being dissatisfied. These factors focus largely on working conditions and working environments, which is to a large

extent guided by legislation. Herzberg identified recognition as that which is received by an individual with the accomplishment of a task or job, and this could entail noticing and praising an individual.

Further, Barton (2002) maintains that the distinguishing factor in the Fortune's annual list of "100 Best Companies to work for" is that these companies see recognition as an integral component of the organisation's total rewards programme. A comprehensive total rewards programme includes compensation, benefits and the total "work experience". The work experience component of total rewards includes recognition and programmes geared towards work-life needs. All reward systems are based on the assumption of attracting, retaining and motivating people. Financial rewards are important, but there are other factors that would motivate employees and influence their level of performance. This brings the discussion to the topic of work-life balance as a factor that enhances motivation and job performance.

Extensive research has been conducted on the factors that impact motivation and job satisfaction and therefore performance. Wyatt's 2004 Survey of Canadian Strategic Rewards and Pay Practices found that employers are seeking to adopt reward strategies that provide a competitive advantage by attracting top talent and engaging employees in a way that drives business results. The survey found that 77% of organisations have either adopted a total rewards strategy or plan to do so. While employers seem satisfied with their performance and reward efforts, the Watson Wyatt Work Canada 2004/2005 study shows that only 24% of employees believe that excellent performance is rewarded at their company.

According to Mason (2001), recognition in various forms is a powerful retention strategy and that it does not have to be expensive. A study conducted by the US Department of Labour found that 46% of people leave their jobs because they feel unappreciated. His study involving 31500 found that "frustration and working conditions are the main reasons cited by those thinking of leaving their jobs". Approximately 60% intended to leave because of working conditions, 55% cited lack of recognition and appreciation, and 40% said that they wanted more time for family and personal activities. In the United States, a similar study found that 40% of employees believed that they were offered meaningful incentives; 81% indicated that they did not receive

any reward for a productivity increase; and 89% cited that their organisations would perform better if there were incentives for quality and productivity.

World Development Report (WorldBank, 1997) paid attention principally to the provision of incentives on the job (according to standard efficiency wage arguments) and to the selection of talented people (motivated agents would automatically be attracted by merit driven recruitment). The report empirical evidence shows that the wage premium in the public sector is not a good predictor of the level of corruption, that there is huge cross country dispersion in public sector wage premium, and that cultural and historical variables seem to play an important role. Lastly, no precise channel has been identified to explain how the level of development affects the level of corruption and public sector quality.

Job satisfaction is an effective or emotional response toward various facets of one's job. This definition means that job satisfaction is not a unitary concept. A person can be satisfied with one aspect of his or her job and dissatisfied with or more other aspects (Kinicki A., & Kreitner R., 2006). Job satisfaction is also viewed as a bi-dimensional concept consisting of intrinsic and extrinsic satisfaction dimensions. Intrinsic sources of satisfaction depend on the individual characteristics of the person, such as the ability to use initiative, relations with supervisors, or the work that the person actually performs; these are symbolic or qualitative facets of the job. Extrinsic sources of satisfaction are situational and depend on the environment, such as pay, promotion, or job security; these are financial and other material rewards or advantages of a job. Both extrinsic and intrinsic job facets should be represented, as equally as possible, in a composite measure of overall job satisfaction, (Rose, 2003). This distinction, as described by Rose, relates to the double meaning of the word 'job': the work tasks performed and the post occupied by the person performing those tasks. The meaning of 'job' as a post or appointment is of primary importance.

 Maxwell (2007) looked at Job satisfaction from individual and organization level whereby from employees side job satisfaction motivates one to get out of bed early, with more spring and energy .Also it promotes a healthy, balanced lifestyle, keeping stress levels minimum. Employees fosters pride in their work, knowing that they're doing something good and it makes easier to focus on more than just the money. For the organization a satisfied employee results to

improved job performance hence organizational goal   achieved as desired. Job satisfaction varies and researchers, for example Whawo (1993) have suggested that the higher the prestige of the job, the greater the job satisfaction. Many workers, however, are satisfied in even the least prestigious jobs. That is, they simply like what they do. In any case, job satisfaction is as individual as one's feelings or state of mind.

Research conducted with managers between September 1999 to June 2000, revealed that 90.5% felt that recognising employees helps them to better motivate their employees; 84.4% indicated that by providing non-monetary recognition to employees when they perform well helps to increase their performance; 84.4% cited that recognising employees supplies them with practical feedback; 80.3% felt that recognising employees for good work makes it easier to get the work done; 77.7% agreed that recognising employees assists them to become more productive; and that 69.3% indicated that providing non-monetary recognition helps the manager to achieve their personal goals (Wiscombe, 2002).

According to Croce (2004), managers should seek reasons and moments to recognise employees for increased effort, persistent positive attitude and peak performance, and recognise them for this. Reward therefore is integral to recognising employees' contributions, but should not be the sole focus of recognition. The author refers to Hertzberg's theory of satisfiers versus dissatisfiers in the workplace, which clearly establishes recognition as a satisfier or motivational factor. According to Herzberg's theory, the extrinsic factors such as salary, supervision, working conditions and other work factors that are perceived by the employee to be offered by the company, will at best prevent employees from being dissatisfied. These factors focus largely on working conditions and working environments, which is to a large extent guided by legislation. Herzberg identified recognition as that which is received by an individual with the accomplishment of a task or job, and this could entail noticing and praising an individual.

Through its 2002 "People at Work Survey", Mercer concluded that 48% respondents believed that they were paid fairly, 28% were motivated by their organisations incentive compensation plan, only 29% said that when they do a good job, their performance get rewarded. In the same study they found that among employees who say their performance is rewarded when they do a

good job, 90% are satisfied with their jobs; 88% are satisfied with their organisations and 12% were seriously considering leaving (Compensation & Benefits Report, 2003).

According to Jeffries (1997), it is possible for organizations to reap the benefits that result from a motivated, enthusiastic workforce that looks forward to making a difference for the organization. Sometimes all it takes is a simple, genuine, spoken 'thank you'. Romano (2003) encourages managers to use recognition as the factor that will strengthen the bond between people and the organization. The author believes that companies who authentically tap into people's feelings and harness this emotional power wisely are those that hold the competitive advantage in the market.

A fundamental part of making an employee feel rewarded and motivated is genuine recognition from their employer. Without the emotional appeal there is no motivational impact, and the latter is ultimately what organizations want to achieve. Successful employee-recognition programs that offer tangible rewards that people can imagine receiving and enjoying, more easily motivate people to their highest level of performance. This can be done at a much lower cost than monetary rewards (Sarvadi, 2005). Jeffries (1997) concurs with this view by stating that organizations can retain their best employees by recognizing their contributions to the organization. Recognition, she argues, motivates employees, as it involves the acknowledgement of the efforts, creativity and willingness of employees to put in extra effort. The author reports on a survey that was conducted by the Performance Enhancement Group that shows that employees favour daily recognition over bonus or higher pay. The study also further revealed that employees who are recognized demonstrate their best efforts in their work.

Based on the arguments of authors mentioned in earlier sections, it is clear that compensation or pay and benefits play a critical role in the total reward management system. It does appear, however, that an effective reward management system requires both financial and non-financial reward (Deeprose, 1994). Given the above, the value of informal rewards, which consists of spontaneous, non-monetary forms of recognition as employee motivators, is increasing for two reasons, according to Nelson (1995). The first reason is because formal rewards such as compensation, benefits and promotions are less effective in motivating employees. Secondly, informal rewards are increasingly more effective and highly desired by today's employees. He

states that employees should be considered as an asset instead of a cost, in need of attention and value enhancement. He reports on a study at Wichita University of 1500 employees, where it was found that the most powerful motivator was having a supervisor personally congratulate individuals on a job well done. Despite this finding, only 42% of the study's respondents said that their organization recognized them in this way.

2.4 Summary of the literature

It is evident that a good reward system can contribute to people's satisfaction and motivation, and their willingness and desire to learn and improve their skills and can lead to greater retention. The types of rewards and recognition that people receive are a major contributing factor to their level of satisfaction and motivation. The more highly rewarded and recognized people are the more satisfied they tend to be with their job and with their life. This implies that satisfied employees are less likely to quit, change jobs, join unions, or be absent. Satisfied and motivated employees always work harder to reciprocate their recognition and reward. Thus, one can say that recognition and reward improves employees' productivity. In summary, organizations are better off when they provide people with a reward level that leads them to feel at least moderately satisfied and motivated (Lawler, 2003). Consistent in the literature is that, albeit a well-researched area, many organizations are still not leveraging off the value that a well-structured reward programme could add. It would appear that many organizations continue to make the mistake to have programmes that focuses primarily on reward, rather than a healthy balance of reward and recognition.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was a descriptive survey research design. Survey is appropriate because unit of analysis are many though they are located in one organization.

3.2 Target Population

Since data was collected from employees it is proper to consider them as constituting the population. The target population was 2800 employees working for KRA headquarters. All the departments are housed in KRA head offices at Times Towers.

3.3 Sample Design

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Mugenda and Mugenda 1999). This study employed the multistage sampling technique to select a cross section of staff at different departments. First the employees were stratified into six groups based on six departments at KRA. Then using random sampling, a proportionate sample was selected from each department. A sample size of 280 employees was obtained to participate in this study. The sample size was 10% of target population. According to Mugenda and Mugenda (1999) for a large sample a sample size above 5% is appropriate. The computation of the sample is presented in the appendix III.

3.4 Data Collection

This study used primary data. The data collection tool was a questionnaire. The questions were both open-ended and close-ended. This instrument was considered appropriate for the study because all the respondents were literate and many. The questionnaire was semi structured in

such a way as to allow respondents to express their views freely. The questionnaire had 2 sections: bio data section and section on employee opinions and views on reward systems at KRA and how the existing reward systems affect their performance. The questionnaires were administered through drop and pick method.

3.5 Data Analysis

All the data was matched and coded to maintain the temporary employees' confidentiality. Then, it was entered in a computer, after which analysis was done. Descriptive statistics in the form of mean, frequency and percentage will be used to describe the data. The mean score for each department was calculated and the standard deviation used to interpret the respondents deviation from the mean. This was followed analysis using inferential statistics to examine the relationship between variables. Pearson Product-Moment Correlation statistic was used to determine the relationship between the independent and dependent variables. Analysis of data was done using a statistical package for social scientists (SPSS). The results were presented on frequency distribution tables, pie charts and bar charts. Interest was focused on frequency of occurrence across attributes of measures.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This section presents the data analysis and findings of the study. The section is divided into four main parts. The first part deals with general information of the respondents while the other three parts relate to the three key objectives. The statistical programme used for the analyses and presentation of data in this research is the Statistical Package for the Social Sciences (SPSS). To facilitate ease in conducting the empirical analyses, the results of the descriptive analyses are presented first, followed by the inferential statistical analysis. Pearson Product-Moment Correlation Coefficient was used to test the strength and significance of the relationship between independent and dependent variables. All statistical test results were computed at the 2-tailed level of significance in accordance with the non-directional hypotheses presented.

4.2 Demographical characteristics of the respondents

The respondents were required to respond to a series of questions on employees' demographics. The results of their responses are presented below;

4.2.1 Response rate

A total of 280 questionnaires were sent to the various units of analysis. However, only 210 questionnaires were returned dully completed. The survey therefore achieved a response rate of 75%.

4.2.2 Length of service

As Table 4.1 shows, 36.7% of the respondents have worked for the authority for less than five years, 43.8% have worked for 5-10 years, 5.7% have worked for 11- 15 years while 19.5% have worked for over 11 years.

Table 4.1: Distribution of the respondents by length of service

Year work for KRA	Frequency	Percentage
Less than 5 Years	78	36.7
5-10 years	91	43.8
11-15 years	12	5.7
16-20 years	29	13.8
Total	210	100

4.2.3 Respondents' job cadre

The respondents were drawn from all job cadres.   As shown below in Table 4.2, 4.8% were in cadre KRA 1-4, 15.2% in KRA 5-7, 13.3 in KRA 8-10 and 66.7% in KRA 11-13.

Table 4.2: Distribution of the respondents by their Job Grades

	Frequency	Percent
KRA1-4	10	4.8
KRA 5-7	32	15.2
KRA 8-10	28	13.3
KRA 11-13	140	66.7
Total	210	100.0

It can be concluded from table 4.2 that slightly over a half of the respondents (66%) were junior staff in cadre KRA 11-13 who are likely not to be satisfied and motivated with existing rewards systems, since they are still in low salary scale.

4.2.4 Respondents' highest level of education

The respondents were asked to state their highest level of education. Table 4.3 below shows that 68.1% of the respondents have university education while 31.9 attained middle –level college education. The findings also indicate that the respondents have skills and knowledge to perform their duties effectively and understand their areas of study.

Table 4.3: Distribution of the respondents by their highest level of education

Highest level of education	Frequency	Percentage
College	67	31.9
University	143	68.1
Total	210	100.0

4.2.5 Respondents' distribution by gender

According to the findings shown in Table 4.4 below, 65.7% of respondents were male while 34.3% were female. These results indicate that majority employees at KRA are male.

Table 4.4: Distribution of the respondents by gender

Gender	Frequency	Percent
Male	138	65.7
Female	72	34.3
Total	210	100.0

4.3 Descriptive statistics

4.3.1 Summary of measures of motivation and satisfaction with rewards system

In this analysis, motivation and satisfaction are treated as one variable. This is consistence with Fredrick Herzberg's study (1959). Descriptive statistics based on measures of motivation and satisfaction are presented in table 4.5. As shown in the table, 94.8% of respondents were not satisfied with the existing reward systems while 58.1% were not motivated by the reward system. A large number of respondents (76.2%) indicated that the reward system had negative effect on their job performance.

Table 4.5: Summary of respondents' responses on measures of motivation and satisfaction

Statement	Response	Frequency	Percent
Are you satisfied with the Reward system used by KRA	Yes	11	5.2
	No	199	94.8
Do you feel motivated by reward systems?	Yes	88	41.9
	No	122	58.1
What has been the effect of the reward system on your job performance?	Positive	50	23.8
	Negative	160	76.2
How would you rate your productivity since appointment to the current grade	Increased	86	41.0
	Remained neutral	79	37.6
	Do not know	45	21.4

4.3.2 Analysis of data on the dimension of motivation and satisfaction

Table 4.6 summarizes responses on dimensions of work motivation and satisfaction. The means and standard deviations for the said responses are presented in the table.

Table 4.6: Means and standard deviations for the measures of the dimensions of work motivation and satisfaction

Dimensions of work motivation and job satisfaction	Mean	Standard Deviation
Work Content	3.53	.69
Payment	1.57	.65
Promotion	2.10	.62
Recognition	3.88	.62
Working Conditions	3.34	.72
Benefits	3.86	.63
Personal	1.23	.64
Leadership/Supervision	1.42	.69

Table 4.6 indicates that the means for the work content, payment, promotion, recognition, working conditions, benefits, personal and leadership/supervision ranged from a low of 1.23 to a high of 4.10 out of 5 which is the maximum score attainable. It therefore appears that staff are relatively motivated and satisfied since the mean score for majority of the items had a mean score well above the midpoint of 2.5. However, the mean score for payment, promotion, personal and leadership/supervision were the lowest. These mean values indicate the areas that employees were most likely to be demotivated and dissatisfied.

4.4 Test of the relationship between the key varaibles

To test the objective of the study it was necessary to use appropriate statistical tool to establish the strength and significance of the relationship between perceived reward, motivation and satisfaction.

The Pearson's Product Moment Correlation Coefficient was computed for the purposes of determining the following relationships:

1.   the relationship between the different dimensions of the work motivation and satisfaction,

2.   The relationship between reward and work satisfaction and motivation.

In order to delineate the relationship between the various facets of the work environment on work motivation and satisfaction, the sub-dimensions of the work motivation and satisfaction were correlated and are presented in table 4.7

Table 4.7: Results of the Correlations Analysis

	motivation and Satisfaction
Variable	Pearson correlation
Work Content	0.66**
Payment	0.86**
Promotion	0.74**
Recognition	0.92**
Working Conditions	0.61**
Benefits	0.65**
Personal	0.37 *
Leader/Supervisor	0.32 *

* Correlation is significant at the 0.05 level (2-tailed)
** Correlation is significant at the 0.01 level (2-tailed)

The results in table 4.7 indicate that work content correlates significantly with work motivation and satisfaction ($r = 0.66$, $p < 0.01$). This is rather surprising given the direction suggested by the descriptive statistics.

The relationship between payment and motivation and satisfaction is strong ($r = 0.86$, $p < 0.01$).

There was also a significant relationship between promotion and work motivation and satisfaction ($r = 0.74$, $p < 0.01$). This suggests that KRA needs to take promotion seriously.

Relationship recognition and work motivation and satisfaction was very strong and significant ($r = 0.92$, $p < 0.01$), implying that KRA takes recognition of employees seriously.

There was a significant relationship between working conditions and work motivation and satisfaction ($r = 0.61$, $p < 0.01$) suggesting that KRA has a bit more to do as far as conditions of work are concerned.

The relationship between benefits and work motivation and satisfaction ($r = 0.65$, $p < 0.01$), was moderately strong and significant. This means that although KRA has done well on benefits, there is need to do more to bridge the gap.

A significant correlation was found to between the dimension of personal and work motivation and satisfaction (r = 0.37, p < 0.05). There was a significant relationship between leader/supervisor and work motivation and satisfaction (r = 0.32, p < 0.05) as well as between general and work motivation and satisfaction (r = 0.34, p < 0.05). These three relationships are weak, meaning that a lot more should be done by KRA on relationships.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings of the study, conclusions and recommendations.

5.2 Summary of the findings

The result revealed that there is a significant relationship between all eight of the sub-dimensions of the work motivation and satisfaction. The eight dimensions include, work content, payment, promotion, recognition, working conditions, benefits, personal, leadership (level of satisfaction with the organisation). The results indicate that there is a significant statistical relationship between all of the eight dimensions of the work motivation and satisfaction and perceptions of reward.

This study found that there are a number of factors that have impact on motivation and satisfaction, with some that could play a more significant role in motivating employees. The results revealed that there is a statistically significant relationship between aspects of reward systems at KRA, and dimensions of motivation and satisfaction. The results of this study also indicated that employees were less motivated by rewards than some of the other dimensions of the work satisfaction and motivation. By implication, this means that if more focus is placed on reward it would have positive impact on motivation and thus result in higher levels of job performance. Therefore, a total rewards management programme, which includes payment or compensation, benefits and informal recognition is required to optimise the motivation and satisfaction levels of staff, resulting increased employee performance.

5.3 Conclusions

It is evident from the study that reward systems influence employee motivation and satisfaction. It was also significant to discover that there is a direct and positive relationship between reward systems and job satisfaction and motivation, and employee performance. Hence, if rewards and recognition offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction, and consequently overall performance. The direct translation of this could be that the better the rewards the higher the levels of motivation and satisfaction, and possibly therefore, the greater the levels of performance and productivity.

Therefore, the Authority could benefit by focusing on the factors that positively impact employee motivation and job satisfaction.

5.4 Recommendations

5.4.1 KRA could benefit by focusing on the factors that positively impact employee motivation and job satisfaction.

5.4.2. There is need for KRA to reward and recognition its employees in order to motivate them and enhance the job satisfaction.

5.4.3. There is need for KRA to improve its employees working conditions as well as address employees' benefits and promotion.

5.5 Suggestions for future research

Current literature on rewards and recognition has not sufficiently dealt with the issues of diversity and the impact that it could have on the motivation and satisfaction levels of different people. Therefore, further research on the impact of reward and recognition on motivation and satisfaction for diverse groups of people could be beneficial to organisations. Research should focus on the broad spectrum of diversity categories including, race, gender, disability, etc. Apart from race and gender, factors such as age and tenure should also be investigated.

The results of such studies could yield some interesting findings and could also significantly impact the delivery of meaningful rewards and recognition to diverse groups of people.

REFERENCES

Abuga, S., (2007) *Effects of Engaging Temporary Staff on the Performance of Kenya Revenue Authority*, Unpublished MBA thesis

Agarwal, N. C. (1998). *Reward Systems: Emerging Trends and Issues*. Canadian Psychology, 39(1), 60-70.

Armstrong, M. (1991) *A Handbook of Personnel Management* (4th ed). London: Kogan Page Ltd.

Armstrong, M., & Murlis, H. (1991) *Reward management.* London: Kogan Page Ltd.

Arnold, H.J., & Feldman, D.C. (1986) *Organizational behaviour.* Singapore: McGraw-Hill International Editions

Austin, J.T., & Crespin, T.R. (2006). *Problems of criteria in Industrial and Organizational Psychology: Progress, Problems and Prospects*. In W. Bennet, C. E. Lance, & D. J. Woehr (Eds.), Performance Measurement: Current Perspectives and Future Practices. (pp. 9-48). Mahwah: LEA.

Barney, J.B. (1995). *Looking inside for competitive advantage.* Academy of Management Executive, 9(4), 49-61.

Baron, R.A. (1983). *Behaviour in organizations*. New York: Allyn & Bacon, Inc.

Barton, G.M. (2002). *Recognition at work.* Scottsdale: World at Work.

Beer, M., Spector, B., Lawrence, P.R., Mills, D.Q., & Walton, R.E. (1984), Managing Human assets. New York: The Free Press.

Bennett, W., Lance, C.E., & Woehr, D.J. (2006). *Performance Measurement*: Current perspectives and future challenges. Mahwah: LEA.

Borman, W.C., & Motowidlo, S.J. (1993). *Expanding the criterion domain to include elements of contextual performance.* In N. Schmitt & W. C. Borman (Eds.)

Campbell, J.P., McCloy, R.A., Oppler, S.H., & Sager, C.E. (1993). *A Theory of Performance*. In N. Schmitt & W. C. a. A. Borman (Eds.), Personnel selection in organizations. (pp. 35-70). San Francisco: Jossey Bass.

Canadian employers moving to total rewards approach to compensation Retrieved February 27, 2005, from http:www.watsonwyatt.com

Croce, P. (2004). Inspire. Fortune small business, 14(6), 40-42.

Curran, C.R. (2004). *Rewards: Respect, responsibility, relationship and recognition*. Nursing Economics, 22(2), 57-59.

Deeprose, D. (1994). *How to recognise and reward employees*. New York: AMACOM.

Flannery, T.P., Hofrichter, D.A., & Platten, P.E. (1996). *People, performance & pay* New York: The Free Press.

Flynn, G. (1998). *Is your recognition program understood?* Workforce, 77(7), 30-35.

Huselid, M.A. (1995). *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance.* Academy of Management Journal, 38(3), 635-672.

Jeffries, R. (1997). *Reaping the rewards of recognition.* HR Focus, 74(1), 9-10.

KRA Website: *www.kra.go.ke*

KRA, (2004) *Time Release Study for Kenya*, Nairobi. November 2004

Kreitner, R., & Kinicki, A. (1992). *Organizational Behaviour* (2nd ed.) USA: Richard D. Irwin Inc.

La Motta, T. (1995). *Recognition: The quality way*. New York: Quality Resources.

Lawler, E.E. (1990). *Strategic Pay*. San Francisco: Jossey-Bass Inc.

Lawler, E.E. (2003). Treat people right. San Francisco: Jossey-Bass Inc.

Murlis R. (1991). *Introduction to Behavioural Research Methods*. USA: Pearson Education, Inc.

Martocchio, J.J. (1998). *Strategic Compensation.* New Jersey: Prentice-Hall Inc.

Mason, L.J. (2001). *Retaining Key Personnel. Plus: Top 10 Retention Tips. Stress Education Center.* Retrieved February 27, 2005, from http:www.dstress.com

McCormick and J. Tifflin. (1979) *Industrial Psychology;* New York: George, Allen and Unwin.

Milcorich, M. *et al* (2001). *Unions to call for UK workplace rights to mirror Europe* Model Personnel Today, 15(2), 15-18.

Mol, A. (1992). *Motivating subordinates*. IPM Journal, 11 (2), 19-22.

Nel, P.S., Gerber, P.D., van Dyk, P.S., Haasbroek, G.D., Schultz, H.B., Sono, T., & Werner, A. (2001). Human Resources Management. Cape Town: Oxford University Press

Oyugi, Lineth N. (2005). *The Budget Process and Economic Governance in Kenya*, NEPRU Working Paper N0. 98, March 2005

Paul, A.K., & Anantharaman, R.N. (2003). *Impact of people management practices on organizational performance: analysis of a causal model*. Int. J. of Human Resource Management , 14, 1246–1266

Romano, L. (2003). *Beyond reward: why cash is no longer enough*. Rewards, 3(1), 12-13.

Sarvadi, P. (2005). *The best way to reward employees. Solutions for growing Business.* Retrieved February 27, 2005, from http:www.entrepreneur.com

Scott, S.G., & Einstein, W.O. (2001). *Strategic performance appraisal in team-based organizations: one size does not fit all.* Academy of Management Executive, 15(2), 107-116.

Stephenson, S. (1995). *Incentive programs: Is holding a fistful of dollars enough?Restaurants & Institutions,* 105(14), 110.

Syedain, H. (1995). *The rewards of recognition.* Management Today, 72-75.

Viswesvaran, C., Schmitt, F.L., & Ones, D.S. (2005). Is there a general factor in ratings of job performance? A meta-analytic framework for disentangling substantive and error influences. Journal of Applied Psychology, 90((1)), 108-131.

Wallsten, K. (1998). Targeted rewards have greater value- and bigger impact.Retrieved April 15, 2006, from http:www.workforce. com

Wilson, T.B. (1994). *Innovative reward systems for the changing workplace.* United States of America: R.R. Donnelley & Sons Company.

Wiscombe, J. (2002). *Rewards get results: Put away your cash.* Workforce, 8(1),

Wong, Y.L., & Snell, R.S. (2003). *Employee Workplace Effectiveness: Implications for Performance Management;* Practices and Research. 29(2), 53-69.

Wyatts (2003) *Report on Salary Surveys. Institute of Management and Administration.* Retrieved March 30, 2005, from http:www.management.com

APPENDICES

Annex I: Introduction letter

Dear Respondent,

I am an MBA student at University of Nairobi currently undertaking my research project entitled "A comparative study of managers' and employees' perceptions of the link between reward and performance at the Kenya revenue authority". The attached questionnaire is for gathering data, which will be useful in the aforementioned research.

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the questions herein.

Please note the information sought is purely for academic purposes and will be treated with utmost confidentiality.

I look forward to your co-operation.

Yours faithfully,

Sign ……………………………

Veronicah Wachuka

Annex II: Questionnaire

Introduction

It is fairly obvious that people differ from one another in what they need and expect to get from different areas of their lives. Please think about the work you do and because some jobs are not perfect while others are perfect. For non perfect, consider what would make it better from your point of view.

Please answer the questions below;

1.   BIO-DATA INFORMATION

(Tick All That You Apply To)

1.1. Gender   1. Male [ ]   2. Female [ ]

1.2 Marital Status   1. Single ( )   2. Married ( ) 3.Divorced ( )   4. Widowed   ( )

1.3 Age   1. Under 20 yrs ( )   2. 21 –30 yrs ( )   3. 31 – 40 yrs ( )
                                         4. 41 – 50 yrs   ( )   5. 51 – 60 yrs ( )

1.4 Educational Qualification   1. Secondary ( )   2. Diploma   ( )
                                         2. University first Degree ( )   4. Masters   ( )
                                         5. Other (Please specify)…………………………….

1.6 Department of work……………………………………………….......................

1.7 Job Grade   1. KRA 1-4   ( )   2. KRA 5-7 ( )   3. KRA 8-10 ( )
                                         4. KRA 11-13 ( )   5.KRA 14-16 ( )

1.8 How long have you been employed at KRA?   1. Less than 5 years ( )
    2.6 – 10 years ( )   3.11– 15 years ( )   4.16 – 20 years ( )   5.Over 21 years ( )

For each of the section below, please use the lirket scale provided to answer the statements provided. Tick one answer accordingly. (True = 1, fairly true=2, not sure = 3, fairly false=4, False =5) (Tick where appropriate)

2. ORGANIZATIONAL REWARD SYSTEM

2.1. Please outline reward systems existing in KRA…………………………………
………………………………………………………………………………………….

2.2. Are you satisfied with reward systems highlighted above   1. Yes …   2. No…..

2.3. Please give reasons for your answer in 2 above……………………………….

2.4. Do you feel motivated by the existing rewards systems   1. Yes …   2. No…..

2.5. Please give reasons for your answer in 2 above……………………………….

2.6. How do the reward systems affect your job performances?
       1. Negative…….. 2. Positive……………

2.7. Please explain your answer in 6 above…………………………………………..

2.8a. How can you rate your productivity since your promotion to the current grade?

   1. Increased ….. 2. Decreased ………3.Remained the same… 4. Do not Know….

2.8b. Explain your answer in 8a above…………………………………………………

2.9. Indicate the extent to which you agree or disagree with the following statements
       (Use the 5 likert scale provided where 1: Strongly Disagree; 2: Disagree; 3: Neutral; 4: Agree; 5: Strongly Agree; Tick one answer where appropriate)

	1	2	3	4	5
2.9.1 The criteria for technical Promotions are clear in this organization					
2.9.2 The career path for technical personnel in this organization is adequate					
2.9.3 Performance appraisals for employees in this organization are done well					
2.9.4 The criteria for promotions are clear in this organization					
2.9.5 Employees are fairly rewarded in this organization					

2.10 Please comment on whether the reward system influence your performance
………………………………………………………………………………….

2.11 Does the reward system at KRA motivate you in performing your work?
                                        1. Yes …   2. No…..

2.12 Are you satisfied with you work   1. Yes …   2. No…..

2.13 If yes what aspect of working for KRA make you satisfied………………….. ……….

3   WORK CONTENT

KRA achieves its targets because of the following:

3.1 Employees are interested in their work	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.2 Employees are motivated by variety of work	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.3 They receive training regularly	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.4 Most of the work is easy	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.5 The amount of work is easy to handle	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.6 They control the amount of work they do themselves	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.7 Employees are completely dependent of others	1 [ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.8 Content of their work is satisfactory	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.9 Employees understand what their mistakes are	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.10 They decide on the methods for doing the work	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.11 Staff are proud to say what kind of work they do	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.12 Employees feel that their work is the way to future success	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.13 Staff will not be dismissed without good reason	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.14 Employees participate in decision making	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
3.15 One feels that their work is of value in the department	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

4. PAYMENT

Tick one answer accordingly. (True = 1, fairly true=2, not sure = 3, fairly false=4, False =5)

KRA achieves its targets because of the following:

4.1 Employees' salaries are satisfactory in relation to what they do	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
4.2 They earn the same as or more that other people in a similar job	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
4.3 The basis of payment, for example overtime payment, is reasonable	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]
4.4 Salary increases are decided on a fair manner	1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

4.5 Do you think the current pay influences their meeting the set job

target?... 1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

5. PROMOTION

Tick one answer accordingly. (True = 1, fairly true=2, not sure = 3, fairly false=4, False =5)

KRA achieves its targets because of the following:

5.1 Employees are promoted at regular intervals   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

5.2 Employees have equal chance of being promoted   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

5.3 The promotion system is fair and honest   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

5.4 When employees are promoted to the next grade their productivity

   Increases   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

5.5 Once promoted employees meet their job targets   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

6. RECOGNITION

Tick one answer accordingly. (True = 1, fairly true=2, not sure = 3, fairly false=4, False =5)

KRA achieves its targets because of the following:

6.1 The organization regularly recognizes good work by praising   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

   employees concerned

6.2 Employees receive constructive criticism about their work   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

6.3 The organization give employees credit for what they do   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

6.4 Employees receive feedback on their progress   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

7. BENEFITS

Tick one answer accordingly. (True = 1, fairly true=2, not sure = 3, fairly false=4, False =5)

KRA achieves its targets because of the following:

7.1 The pension's benefits offered by the organization are good   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

7.2 Employees' medical scheme is satisfactory   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

7.3 Employees don't have problems with my arrangements for leave   1[ ] 2[ ] 3[ ] 4[ ] 5 [ ]

8. EFFECTIVE ORGANIZATIONAL COMMITMENT

8.1. Working at KRA has a great deal of personal meaning to me...Yes …No….

8.2. I feel a strong sense of belonging to KRA...Yes …No….

8.3. I am proud to tell others I work at KRA...Yes …No….

8.4. Would you be happy to work at KRA until you retire..Yes …No….

8.5. What would you enjoy discussing of KRA with people who do not work there?

………………………………….. …………………………………………………...

8.6. Give reasons for 5 above………………………………………………………………

9. Perceived Organizational Support

9.1. Does KRA values your contributions to its well-being……………………….

9.2. KRA takes pride in my accomplishments………………………………………

9.3. KRA strongly considers my goals and values……………………………….

10. Employee Performance

10.1 Please list your TWO Key Performance Indicator(s) (KIP)

………………………………………………………………………………………………

10.2 For each KIP listed above provide how is measured in terms of targets per time period

KIP	Target	Duration

Indicate the extent to which you agree or disagree with the following statements. Tick one answer accordingly. *(Use 1: Strongly Disagree; 2: Disagree; 3: Neutral; 4: Agree; 5: Strongly Agree).*

	1	2	3	4	5
10.3There are clearly determined staff performance targets					
10.4 I achieve my Performance targets					
10.5 There is fairness in the way performance targets are assigned and handled					
10.6 KRA performance targets are competitive and in line with industry practice					
10.7 I achieve my performance targets within the allocated time period					
10.8 There are adequate systems and tools to enable one realize his/her performance targets					
10.9 My performance targets are developed in consultation with staff and managers					

Thank you for participating.

Annex III: Calculation of Sample Size

The target population is 2800. First, from the target population, 10% sample size is estimated, which is 280 employees. Mugenda and Mugenda (1999) for a large sample a sample size of above 1% is appropriate. Using the sample size (280 employees) a proportionate sample calculated for each department using the formulae: {Department Population $\times$ Sample Size (n)/total population (N)}, as indicated below;

Department	Target population (N)	Sample size (n)
I	425	43
2	612	61
3	519	52
4	248	25
5	372	37
6	624	62
Total	2800	280